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TITLE: Open commodities exchange

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Brief Summary Text - BSTX (31):

The customers can participate in two kinds of trades: placing orders for commodities or responding to offers by other customers. When a customer places an order on the OCES, a request is sent to the custodian to securitize the order, meaning that the custodian verifies that the customer has the proper commodities, assets or funds to meet the order, and, optionally segregates or otherwise separates the same to an escrow account. After an order has been securitized, it is posted to an appropriate data base and becomes an offer.

Brief Summary Text - BSTX (33):

Briefly, a system for trading commodities includes an open commodities exchange server (OCES) provided to receive a plurality of orders to buy and sell commodities from a plurality of customers. The OCES is also coupled to one or more custodians. Before being allowed to trade, each customer must deposit with a corresponding custodian the funds, commodities and other marketable assets the customer may wish to use in the purchase and sale of commodities through the OCES.

Brief Summary Text - BSTX (42):

As part of this method, prior to any trading, each customer may be required
to register with the server and with a custodian. As part of this registration, the customer gets an identification and password for the system.
The customer must also deposit with the custodian his commodities. Before he can buy any commodities, a customer must also register with a

custodian and either deposit funds or other assets or provide sufficient information to receive a credit rating for a particular amount. Since most customers want to buy and sell commodities, it is expected that they deposit with a custodian their commodities and assets at the same time. Prior to any trade by a customer to sell a commodity the server receives confirmation through the appropriate custodian it has custody of the subject commodity and therefore that the customer has the right to sell the same and that the subject commodity have been securitized. Prior to any buy trades, the server obtains confirmation from the appropriate custodian (which may be the same custodian as the one confirming the commodity) that the customer has deposited sufficient assets to purchase the funds and that these assets have been securitized. In effect this confirmation indicates that the customer has the ability to pay for the commodities he is wants to buy.

Detailed Description Text - DETX (3):

Also connected to the system 10 are a plurality of custodians 17, 19, 21, 23. The number of these custodians may vary depending on the size and physical or geographical extend of the system 10. A custodian, or at least its functions, may also be incorporated into the OCES 12. It is contemplated at this time that the custodians will be associated with banks, brokerage firms, or other financial institutions of facilities traditionally involved in receiving and storing commodities. Each custodian includes a custodian server, an escrow account and a customer data base as discussed in more detail below. Only the servers (28, 30) for custodians 21, 23 are shown for the sake of clarity.

Detailed Description Text - DETX (7):

If a customer initially wants to sell commodities then during registration

to the custodian, in addition to providing personal information, the customer also surrenders the subject commodities. These commodities are stored in the depository 32 and the customer data base 36 is adjusted to indicate that the commodities are on deposit in the customer's account.

Detailed Description Text - DETX (8):

It is expected that most customers deposit their commodities, assets and funds at the same time.

Detailed Description Text - DETX (19):

The process performed by the custodian 17 depends on the nature of the order. For example, in FIG. 4, the custodian server 24 of custodian 17 receives the order for the sale of a stock X in step 200. In step 202, the custodian server 24 verifies that customer 14 has registered at least N of stock X commodities with custodian 17. In step 204, the custodian server 24 verifies that custodian 17 has registered and has in its custody at least N shares of stock X. The custodian server 24 also places a block, or segregates the shares N of stock X in the account of customer 14 or alternatively, transfers these shares to the escrow account 34. In this manner, the stock specified by the order is securitized, so that it cannot be touched while the order is processed.

Detailed Description Text - DETX (21):

If the subject order is to buy a commodity or to sell a commodity short, the custodian segregates or allocates assets or funds of the customer to the escrow account in anticipation of the prospective trade.

Detailed Description Text - DETX (28):

As previously mentioned, in step 120, both custodians 17, 19 are notified of the order to be settled. The order, the two custodians 17, 19 exchange confirmation signals to verify that custodian 17 is indeed the seller custodian

and has the securitized commodity, and that the buyer's server base securitized the buyer's assets. Next, the two servers 17,19 exchange the subject commodity in return for the assets, and the depositors 32, 32A, escrow accounts 34, 34A and customer data bases 36, 36A are adjusted to reflect this transaction.

Current US Original Classification - CCOR (1):

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